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Chairman Lugar, Senator Biden, members of the Committee, I am honored to be here today to speak about the U.S. Agency for International Development's programs in Iraq.

As you know, USAID is providing both emergency and reconstruction assistance for Iraq. We are approaching these tasks, unprecedented in size and scope, with six broad objectives in mind. They are to:

- show the Iraqi people an improvement in their standard of living and public services;
- stabilize the population – reduce ethnic and religious tensions, repatriate refugees, resettle internally displaced people, and resolve property claim disputes created under Saddam;
- develop a market economy – produce new jobs and encourage investment and agricultural and economic growth; create the institutions of economic governance which will form the foundation of the new Iraqi economy and the fiscal structure of the national government;
- support the de-Ba'athification of Iraqi society -- eliminate the palpable sense of fear that was a feature Saddam's rule; and create a genuine civil society that can control the abuses of the state, stabilize social order, and help reconstruction take place;
- create accountability and control systems to prevent oil revenues from being diverted by future Iraqi governments and ensure future revenues are used for public good; and
- ensure a peaceful transition to a pluralistic democracy representative of the ethnic and religious make-up of the society.

I will discuss what we are doing and what we plan to do in Iraq in the context of these six objectives.

**Show the Iraqi People Improvements in Their Living Standards and Public Services**

The brutality of Saddam Hussein's regime is well-known, but his rule was also characterized by the willful neglect of many areas, among them basic infrastructure, education, health, governance, and the economy. The highly centralized nature of the regime severely limited opportunities for local or individual initiatives. The level and quality of services people received was substantially lower than the gross indicators of Iraqi economic development would suggest.

Prior to the 1990s, for example, Iraq had one of the best education systems in the Arab world, achieving universal primary enrollment and significantly reducing women's illiteracy. Those achievements have eroded significantly since then, however. Primary

school enrollment at the time hostilities began was approximately 76.3 percent and secondary school enrollment was down to 33 percent, with nearly twice as many girls absent from the classroom as boys.

In healthcare, too, the downward trend is clearly evident. Today, almost of a third of the children in the south and central regions of the country suffer from malnutrition. Low breastfeeding rates, high rates of anemia among women, low birth weight, diarrhea and acute respiratory infections all contribute to Iraq's high child mortality rate – 131 deaths per 1,000 live births. This rate has more than doubled since the 1980s.

### **Emergency Humanitarian Relief**

Thanks to early, prudent, and thorough contingency planning, the pre-positioning of emergency supplies, and careful coordination with U.S. and international humanitarian organizations, the humanitarian crisis in Iraq that many had predicted was avoided. Many elements of the U.S. Government were involved in this unprecedented effort -- but there are three units of USAID in particular that I would like to focus on today: the Office of Foreign Disaster Assistance (OFDA), Food for Peace (FFP), and the Office of Transition Initiatives (OTI).

The first challenge facing any relief effort, especially one of the size and complexity of Iraq, is gathering accurate information so that urgent needs can be identified and specific interventions designed that make the most sense for a specific location. To this effect, USAID assembled the largest Disaster Assistance Response Team (DART) – outside of a few search and rescue missions – in history. The DART included more than 60 people – doctors, public health professionals, water and sanitation experts, food distribution and agricultural specialists, logisticians, security officers and specialists in refugees, internally displaced persons (IDPs) and abuse prevention. Most members of the DART have had years of experience dealing with complex humanitarian emergencies and international relief situations, and their assessments of the conditions on the ground are vital to our humanitarian and reconstruction efforts.

In the months prior to the war, OFDA began preparing for a possible humanitarian emergency by stockpiling emergency relief supplies, including water tanks, hygiene kits, health kits, plastic sheeting and blankets. OFDA also provided funding to the World Food Program (WFP), UNICEF, and NGOs to set up logistics operations, offices and relief stockpiles. Because of this, our NGO partners were in a position to respond quickly to urgent humanitarian needs and are now making repairs to water and sanitation facilities in Ar Rutbah, Basra, and Erbil. OFDA grants are also supporting urgent health care assistance: CARE is working in Baghdad; Save the Children in Mosul; the International Medical Corps in Basra, al Nasariyah, and Wasit; and World Vision in Ar Rutbah. OFDA has also purchased medical kits, each containing enough supplies for 10,000 people for three months. In late May, the DART provided 33 of these kits to our NGOs partners for distribution in several cities in Iraq.

Timely USAID grants from the Office of Food for Peace helped prepare WFP to undertake the largest mobilization operation they have ever carried out. The first country-wide distribution of food in Iraq is already under way. Much of it comes from a \$200 million FFP grant to WFP which made it possible to purchase food in Jordan, Syria, and Turkey for immediate consumption. In just the month of May, for example, more than 360,000 metric tons (MTs) have arrived in Iraq from neighboring countries. All of this is in addition to the 245,000 MTs of U.S.-produced food that is already in the region or en route.

As a result of these careful preparations – and the fact that the Iraqis received increased rations prior to the fighting -- there has been no food crisis in Iraq. We anticipate continuing U.S. food shipments through October and perhaps longer, if needed. The long-term solution, however, is the creation of a functioning market system. In the meantime, our food specialists on the DART have been working with DoD, WFP and the Ministry of Trade on issues like finding the 9,000 trucks needed to haul the 480,000 MTs of food that we expect to arrive in Iraq every month, assuring security along the corridors from Kuwait, Jordan, Syria, Turkey, and Iran, and preparing enough silos, warehouses and equipment to support these vital supplies.

The Office of Transition Initiatives (OTI) specializes in small, “quick impact” programs. OTI’s flexibility and quick turn-around times have proved invaluable in many situations. OTI grants are currently helping the Town Council in Umm Qasr, Iraq’s principal deep water port, get up and running and funding sports activities for young people there. One of the lessons we have learned from our work in other failed and failing societies is the need to keep young people, especially young men, off the streets, in school and in healthy activities such as sports. Unless they are occupied, young men are often a source of disruption, for they can be easily lured into looting or organized crime and violence.

OTI has also provided grants to keep the electric generators at the Mosul Dam running, so that the 1.7 million people who depend on it have electricity. Other OTI projects currently underway include efforts to repair a school in Umm Qasr; shore up the Mosul Dam; put 16,000 people to work cleaning up garbage and debris in al Thawra; and supplying water testing equipment, refurbishing the fire station, and supplying new furniture and instructional materials to primary school in Kirkuk.

In addition, OTI has begun work on repairing ministries and public buildings and supplying them with computers, copiers, communications equipment, supplies and furniture, so that they can resume their normal functions. One of the advantages of this approach is that it allows us to work directly with Iraqi citizens and civil servants on practical every-day matters. Already we have started programs with the Iraqi Ministries of Justice, Irrigation and Finance, as well as the Central Bank, and we are looking at the possibility of doing more. Indeed, we have received proposals for 30 ministries and commissions for just such services.

Other OTI projects envision repairing the Courthouse in al Hillah; building concrete platforms for three radio and television broadcast towers; assessing the needs of fire

department throughout the country; and designing more public works projects such as in al Thawra (ex-Saddam City).

### **Infrastructure Restoration**

Since the President declared an end to major combat operations in Iraq on May 1, 2003, USAID's reconstruction efforts have focused on critical areas that will each contribute to substantial improvements in the lives of the Iraqi people. They are ports, airports, electricity, water, sanitation, health, education, and local governance.

Through a contract with Stevedoring Services of America (SSA), we have been upgrading facilities – silos, warehouses, and cranes -- at Umm Qasr, Iraq's principal deep water port. Administration of the port was handed over to SSA by the British on May 23. This is the first reconstruction project in Iraq to be transferred from military to civilian authority. In the days ahead, SSA will phase in over 3,500 local workers as managers, heavy equipment operators, maintenance and other workers and is working closely with the newly elected director general of the Iraqi Ports Authority on staff training and port revitalization issues.

At the same time, Bechtel is rebuilding port administration buildings and analyzing the adjoining rail system for repair. Meanwhile Bechtel's subcontractor, Great Lakes, has been dredging Umm Qasr since May 7 on a 24-hour, seven days a week basis. This is dangerous and difficult work: some 200 pieces of unexploded ordnance have been removed from the harbor and ten sunken vessels discovered in the harbor. As a result of the dredging, the channel is now nine meters deep, and two ships, carrying 15,000 metric tons (MTs) of rice and wheat respectively, were unloaded last week at Umm Qasr. Our goal is for the work to have progressed enough so that the port can handle ships carrying 50,000 MTs of food by the end of this summer.

Through our contract with SkylinkUSA, preparatory work to upgrade Basra and Baghdad International Airport to international standards has been done, and we are aiming to have the latter opened by June 15.

Restoring electric power is an urgent priority, a task made considerably more difficult by acts of deliberate vandalism. On May 26, for example, two 400 KV towers were torch cut and hauled down, bringing the number of towers that have been damaged since the end of hostilities to 8. In other cases, substations essential to the restoration of power service have been totally destroyed by looters looking for copper wire and other scrap to sell on the black market.

In parts of the north and south of the country, however, there is a surplus of electricity. For the first time in more than a decade, Basra has electricity 24 hours a day, a marked improvement in the life of the country's second largest city. At the same time, electrical shortages continue in the center of the country. We are working hard to rectify these problems. Bechtel has completed its assessments and we have approved task orders that will enable them to repair the 400 KVA and 135 KVA high voltage transmission lines.

We are also funding new boilers for electrical generation plants. A further problem is that much of the country's power generation depends on natural gas, diesel and bunker oil, which Saddam's regime failed to produce in sufficient quantities. With the lifting of U.N. Security Council sanctions and the gradual restoration of the country's oilfield capabilities, this problem should ease.

Another way Saddam punished the people of southern Iraq was by withholding chemicals to treat and purify drinking water. This contributed greatly to the unnecessarily high death and illness rates, particularly among children and other vulnerable groups. USAID has begun addressing this by providing funds to UNICEF to purchase enough chlorine for 100 days of water treatment for the southern governorates of Al Muthanna, Al Basra, Dhi Qar, and Maysan. The International Rescue Committee, acting on another USAID grant, will work to improve the rural water systems in 59 areas in An Najaf Governorate.

Other infrastructure work includes the restoration of bridges at Ar Rutbah, Al Ramadi, Mosul, and one just southeast of Baghdad.

### **Health, Education, and Agriculture**

Initial evaluations of the health sector show that services have been disrupted and equipment, medicine, and supplies have been looted from some hospitals and warehouses. While there have been no major outbreaks of communicable diseases, the potential for such outbreaks remains a source of concern. USAID's goal in this sector is to meet urgent health needs as well as normalizing health services rapidly. To this effect, we have worked through UNICEF to supply 22.3 million doses of vaccines to prevent measles, pediatric tuberculosis, hepatitis B, diphtheria, whooping cough, tetanus and polio. This is enough to treat 4.2 million children under the age of 5 as well as 700,000 pregnant women.

We have also established a surveillance system with WHO, UNICEF, and Abt Associates to monitor cholera, worked with the Iraqi Director of Public Health on a diarrhea survey, established a database for tracking and coordinating international medical donations, and helped prepare public service announcements about sanitation and breastfeeding. In addition, we have made grants to CARE, Save the Children, the International Medical Corps, and World Vision for emergency health projects in Baghdad, Mosul, Basra, al Nasariyah, Maysan, Wasit, and Ar Rutbah, respectively. Our grant to Abt will enable them to address other medical needs, such as pharmaceuticals and equipment and coordinating donations of medical supplies. Abt will also work with the Iraqi Ministry of Health to improve their administration of medical services throughout the country.

In the education sector, we have launched a "back to school" campaign with UNICEF and delivered 1,500 school kits that helped 120,000 students in Baghdad return to their classrooms in May. Through a contract with Creative Associates, we have inventoried all 700 schools in Basra with the Ministry of Education, begun making grants to refurbish a number of schools there, and finalized plans to distribute 8,000 school and student kits for Basra schools when the new school year starts in September. The next step is to do

the same in Dhi Qar Governate. We are also funding UNESCO to print and distribute 5 million math and science texts on time for the beginning of the school year, and we are in the process of soliciting proposals to link U.S. colleges and universities with Iraqi institutions of higher learning on various health, education, agro-industry, engineering, and other projects. A USAID technical advisor is also working with the Ministry of Education on ways to deliver sufficient equipment, material, supplies for the new school year.

We are also about to launch a competitive procurement for assistance to Iraq's agriculture sector. This program will address issues such as increasing agricultural productivity, rural finance, and reducing water-logging and soil salinity.

### **Stabilize the Population: refugees, IDPs and abuse prevention**

The emergency humanitarian assistance and early reconstruction work cited above are only one part of USAID's overall strategy for Iraq. Stabilizing the ethnic and religious tensions within the country, resettling IDPs, and ultimately helping resolve some of the complex property disputes created during Saddam's 24 years of corrupt and abusive rule are important goals.

Our first step began with the DART, which, for the first time ever, included specialized abuse prevention officers. Our Agency has years of experience in post-conflict situations. A priority for the DART was to identify key contacts with the U.S. armed forces, civil affairs units, the International Committees of the Red Cross, NGOs, the media, and local leaders and brief them on the kinds of lawlessness and human rights abuse that occur in the immediate aftermath of a conflict so that suitable responses could be fashioned. As part of this effort, each of our abuse prevention officers distributed USAID's Field Guide to Preventing, Mitigating and Responding to Human Rights Abuse, which was designed for just such situations.

Another important goal of our abuse prevention officers was to identify mass grave sites. Iraq tragically has plenty of these sites: clerics have told us there are 146 of them in and around Najaf and another 29 in Karbala. The presence of mass graves is an important reminder of the nature of Saddam Hussein's regime. Other mass grave sites have been found near Musayeb, Kirkuk, Basra, Al Hillah, and elsewhere. Should any of Saddam's immediate circle be tried for major human rights abuse or crimes against humanity, the sites will be prima facie evidence.

These abuse prevention officers are also monitoring the situation of IDPs in northern cities like Kirkuk, Dohuk, Zamar, and Domiz, where upwards of 100,000 Kurdish families were driven from their homes as part of Saddam's Arabization campaign. Many of these Kurdish families are now returning to their homes – or trying to – and this makes for a potentially destabilizing situation. Our role, for the moment, is to try and sort out the dynamics of these conflicting property claims, so that ultimately, they can be resolved by legal means, somewhat like they were in Eastern Europe after the fall of the Berlin Wall.

Elsewhere our abuse prevention officers are working with several NGOs to identify and train local groups in human rights monitoring and grave site protection.

Another early USAID grant supports the International Organization on Migration (IOM), which is providing relief supplies for up to 500,000 IDPs in central and southern Iraq and coordinating the distribution of supplies for another two million Iraqis in the same region. As you know, after the first Gulf War, Saddam deliberately targeted the Marsh Arabs, or Madan people, for destruction. Tens of thousands were killed, land and water mines were sown throughout the region, and some 200,000 people were driven from their homes. The systematic draining of these marshes reduced them to a tiny fraction of their former size, destroyed a way of life that had survived for millennia, and caused an environmental catastrophe of unprecedented size and cope. This month, we hope to send a team of hydrologists, environmental specialists and economists to the region to study what might be done to begin restoring some part of this region and how to include the Marsh Arabs in the process.

### **Develop a market economy and create institutions of economic governance**

Under Saddam, the Iraqi economy was highly centralized and exceedingly corrupt. All the country's heavy industries, and much of its light industries are government owned. So, too, is the oil industry, which is the main source of the country's revenue. With the lifting of U.N. sanctions and the gradual improvements in the oil sector, some revitalization of legitimate economic activity should follow naturally, along with a reduction of black market activity which has in the past fueled criminal syndicates. Yet much more must be done to make a solid break with past practices and put the country on a solid economic and commercial footing.

One of the keys to doing this will be to harness the power of the private sector and give the economy the jump-start it needs to create jobs and raise incomes for millions of Iraqi citizens. We are about to seek bids for a contract that would begin this process. We also expect to provide technical assistance under the policy guidance of the Treasury and State Departments to Iraq's Central Bank, Ministry of Finance, and the private banking sector. Within a year, we hope that the Ministry of Finance will be able to handle government payrolls, Iraqis will begin tackling some of the tough economic choices that lie ahead, a legal framework will be established that encourages the private sector, and access to private commercial banks will be widespread.

An early focus on economic governance is essential if the new Iraqi government is to be successful. Many laws and institutions need to be changed or created from scratch: a framework for fiscal and monetary policies must be put in place and legal and regulatory reforms shaped. Customs and tax policies must be devised so that the government has revenue from more than just the oil sector and the proper incentives are given for the private sector. Property rights and the repatriation of profits must be assured, clear tariff structures created and free trade encouraged. USAID, working with other USG agencies and appropriate international organizations and partners, will support Iraqi efforts in all

of these sectors to transform Iraq's economy and establish a model for the region and beyond.

### **De-ba'athification of Iraqi society**

Ambassador Bremer's recent decision to remove 30,000 members of the Ba'ath Party from all positions of responsibility in post-Saddam Iraq was a wise and necessary step. Clearly, the top echelons of the Party can hardly be counted on to take the country in the proper direction. Indeed, until such time as they are jailed or thoroughly reformed, these people can be expected to obstruct progress in whatever way they can. Many of them have long experience with smuggling, black marketeering, and armed repression. One of the great dangers is that they will turn, as others have done in Serbia and Russia, to criminal syndicates or armed paramilitary organizations whose ties to extremist elements could make them very dangerous to both Coalition Forces and ordinary Iraqis. Some will turn to crime – extortion, murder, and robbery. Others will foment tensions among contending ethnic and religious groups or hire themselves out as mercenaries and enforcers.

While it is obviously not USAID's job to provide security or police protection, we do have experience in many post-conflict situations with rehabilitation and reintegration programs following demobilization and disarmament. And, as I mentioned above, we do have human rights monitors in the country already, and they are preparing to expand our capabilities substantially in this domain.

De-ba'athification also hinges on the success of our larger goals in Iraq: the establishment of a stable society, with free market economy and an honest, competent democratic government that represents the entire spectrum of Iraqi citizens.

### **Creation of accountability and control systems in the oil sector**

Iraq has the second largest proven oil reserves in the world. Oil is country's primary foreign exchange earner and the major source of government revenues. It can be a source of great wealth and hope for the Iraqi people, but it can also be a source of great temptation to the unscrupulous. The way oil revenues are used, therefore, will become an extremely important political and economic question in the country as soon as a new government is established. How the industry is managed will likely set the pattern for the way the country is governed economically and politically. Simply put, ensuring the transparency and accountability of every facet of the oil industry is crucial to the country's transformation.

The natural resources of the country belong to the Iraqi people. This puts a huge premium on questions of economic governance. Yet unless the new government is honest, technically sound, and strongly democratic it will be very difficult, if not impossible, to break with the corrupt practices of the past. We must, therefore, make it crystal clear that a new day has dawned and that there will robust systems of accountability and transparency in place from the beginning.



## **Ensure a peaceful transformation to a pluralistic democracy**

The three most important tasks the U.S. must accomplish if we are to be successful in Iraq are security, democracy, and a free market economy.

No one with an understanding of Iraq's history should expect that the country can be immediately transformed into a fully functioning democracy. As we have seen all over the world, the process of democratization is often slower than we would like. And yet, the slope of history points in one direction only – toward more democracy and more democratic governance in every part of the world. Even in the Middle East, there are unmistakable signs of progress, but so too are there formidable obstacles.

Iraq, of course, presents a special case. The brutality with which the Ba'ath Party ruled has left a legacy of suspicion and fear. Individual initiative has been discouraged if not crushed outright. The centralized, autocratic nature of the regime afforded little opportunity for anyone to develop the local governance skills that are so essential to the daily functioning of a working democracy. There has been no freedom of speech, no freedom of thought, no freedom to organize interest groups of any kind, no freedom to develop political views or skills or parties. All of this has left a legacy that can and will be overcome with time. Our job is to accelerate the pace at which this happens.

Our first step has been to work with Coalition forces to identify key local leaders with whom we can work and connect them to opportunities for relief and reconstruction assistance. This has been an important part of our DART's responsibilities, as well as those of our NGO and private sector partners.

In April, we awarded a contract to Research Triangle Institute (RTI) to work with local communities in secure areas and respond to their priorities, and help build up local governments so that they can respond to their constituents and deliver basic services like potable water, schooling, and health care. Already RTI and its subcontractors have about 20 people in the country, working closely with the Coalition Provisional Authority, and that number is expected to reach 50 by the end of this month. RTI's technical experts are setting up neighborhood advisory councils in Baghdad and working with appropriate local administrators to improve the delivery of essential services.

Last week we awarded cooperative agreements to five U.S. NGOs – Mercy Corps; International Relief and Development, Inc.; Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance; Cooperative Housing Foundation International; and Save the Children Federation, Inc. – as part of our Iraq Community Action Program. This, too, is specifically designed to promote grass-roots citizen involvement in the affairs of some 250 communities through Iraq.

One of the hallmarks of a free society is an open, pluralistic media, and we are working to create one in the new Iraq. Already, we have given funds to Radio Sawa to support their reporting of humanitarian and reconstruction efforts and to Internews to help

support a symposium that brought Iraqi, Arab and Western media experts together to develop a set of recommendations on fostering a free, pluralistic media in Iraq.

## **Conclusion**

One of the strengths of USAID is our ability to enlist the American private sector in projects of great importance to the country. Neither we nor any other government agency has the expertise on hand that we have been able to bring on board through our relationships with the private sector in just the past two months. This was a major reason we were able to position enough supplies and technical expertise in the region to deal with a potential humanitarian crisis and start our reconstruction efforts quickly and aggressively.

But if we are nearing the end of the emergency phase of our work, we are a long way from completing the reconstruction, for our goal is nothing less than the transformation of Iraq into a functioning, stable state that poses no threat to its own citizens or its neighbors and serves the interests of the Iraqi people. Rebuilding the physical infrastructure of the country is but one part of this. Helping the Iraqis build the institutions of an honest, democratic state that represents the broad spectrum of Iraqi society at the local, regional, and nation level and a functioning, transparent economy based on the power of the private sector will be at least as important. We have no illusions that this will be quick or easy. The President and Secretary of State have made it clear that the United States is in this for as long as necessary.

Thank you.